CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BEBEFITS COMMITTEE

Meeting of September 24th, 1980

Attendance: Mr. H. Hemens, Chairman, Mr. E. Lemieux, Prof. C. Goldman, Prof. C. Potter, Mr. B. Smart, Mr. W.M. Reay, Prof. G. Martin, Miss D. Johnson, Mr. J.L. Bourbeau of William M. Mercers Ltd., Messrs. S. Jarislowsky and D.S. Kertland of Jarislowsky Fraser & Co. Ltd. and Mr. D. Williams of Beutel Goodman & Co. Ltd.

Response to Letter form McLean Budden

The Chairman advised the Committee that he felt response to John Fawcett's letter dated June 4, 1980 was in order to set the record straight regarding comments related to the Committee's decision to engage new Investment Managers. It was agreed that the Secretary would prepare a draft letter for review by the Chairman.

Minutes of the Meeting of May 28th, 1980

The Chairman indicated that he had not agreed to include representatives of the Committee in the preparatory stage of reviews of pension adjustments as this was staff work to be completed by the Personnel Department. It was agreed that the last sentence of the first paragraph regarding Pension Increases should be stricken from the minutes of May 28, 1980. Approval of the minutes thus amended was proposed by Prof. Goldman, seconded by Mr. Smart and carried.

Audit Report

The audit report submitted by Touche Ross & Co. was reviewed by the Committee and the contents of the document were discussed. The Chairman indicated that approval was not required therefore it was proposed by Mr. Reay and seconded by Mr. Lemieux that the minutes show the audit report was received and reviewed by the Committee. The motion was carried.

Investment Strategy - Jarislowsky Fraser

Mr. Jarislowsky reviewed the recommendations of Jarisolwsky Fraser & Co. Ltd. in the light of the cash flow data which was provided by Mercers. He noted that the forecast shows a reduction in the year to year growth of assets in the later years of the projection and since the fund is a pension plan he recommended a more cautious attitude in terms of investment and asset mix with an average equity exposure of 50%. (This exposure could fluctuate from a minimum of 45% to a maximum of 55%.)

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Mr. Jarislowsky pointed out that their aim was to maximize the real rate of return over the long term in view of inflation. Since volatility can be significant it is important that the cash flow should be such that it is not necessary to liquidate assets at the wrong time.

In response to a question regarding the market at present Mr. Jarislowsky stated that the Canadian Market was high and, in particular, the resources sector. He felt the American Market is undervalued and it is the intention of Jarislowsky Fraser to move to full U.S. exposure. The question of exemption from U.S. withholding tax was raised and since Concordia has not yet obtained exemption it was agreed that the matter would be pursued by Mr. Reay and Miss Johnson.

Mr. Jarislowsky noted that upon taking over the portfolio the Fixed Income assets were in longer term investments, they are in the process of reducing the term to 6 years. They are getting rid of low coupon bonds and getting into short term notes. There is presently a high percentage of cash and notes in the Fixed Income portfolio.

Following questions and discussion the Chairman excused Mr. Jarislowsky and invited Mr. Willaims to present his recommendations.

Investment Strategy - Beutel Goodman

Mr. Williams presented recommendations on behalf of Beutel Goodman & Co. Ltd. He indicated that basically their approach was to recommend a higher Equity exposure due to the fact that Equities produced better real rates of return over the long term. (6% real rate of return over 25 years or more.) Mr. Williams commented that the Fixed Income sector provides a stabilizing and balancing factor to the fund due to the fact that this Market is not as volatile as the Equity Market. When the Concordia portfolio was taken over by Beutel Goodman the asset mix was 60% Fixed Income 40% Equity and Beutel Goodman is presently in the process of revising the portfolio to bring the investments into a more favourable mix.

Mr. Williams recommended that 60% of the fund should be available for Equity and 40% for Debt. He noted that if the fund manager is given this kind of a mandate he can then be held responsible for any decisions made outside the mandate. He cautioned that a change in investment policy every 6 months would not work due to the fact that lay committees have a tendancy to react to market swings. The policy statement should set out an objective in terms of real rate of return and establish a volatility or comfort level. (i.e. A maximum equity exposure level.)

Following questions and discussion the Chairman stated that the Committee is not yet ready to establish a long term guideline but should be prepared to do so at the next meeting. It was agreed that new money should continue to be distributed at 50% to each sector.

The chairman suggested that a letter of congratulations be sent to Mr. Robert Brochu, of William M. Mercers Ltd., on his appointment as Executive Vice President; the Committee agreed and the meeting was adjourned.